

Retail Systems Group

The Retail Systems Group's two main businesses are beverage vending machines, in which it has the largest market share, and cold-chain equipment, primarily the refrigerator and freezer display case business including design and installation at stores. The segment also has a third business of currency handling systems, which consists primarily of automatic change dispensers and electronic money-related equipment.

As an industry leader, we are utilizing the technological expertise built up over many years to add even more value to our products through energy conservation efforts, including development of environmentally friendly vending machines that use even less electrical power.



Hiroshi Nishigaki
President and Representative Director
Fuji Electric Retail Systems Co., Ltd.

COMPETITIVE ADVANTAGES

The segment has a strong customer base in the retail sector, and utilizes its superior energy and environment-related technologies in a variety of products, especially in the vending machine business where it has the top market share. The currency handling systems business also has a stable customer base, reflecting its leading industry position in bill and coin identification and discrimination technologies and currency handling technologies, along with its nationwide sales, maintenance, and service network.

FISCAL 2008 OVERVIEW AND INITIATIVES

- Net sales declined by 14.0%, to ¥136.4 billion, with a corresponding ¥0.4 billion operating loss.
- The vending machine business was impacted by the end of demand for the installation of age-verification equipment on cigarette vending machines and a decline in overall demand during the second half.
- Energy-saving heat pump vending machines showed solid results.

	FY2006	FY2007	FY2008	Billions of yen Change (YoY)
Net Sales	152.5	158.6	136.4	-22.2
Operating Income (Loss)	2.3	2.7	(0.4)	-3.1



Environmentally Friendly Vending Machines

Energy consumption is reduced by maximizing operating efficiency through improvements in cold heat unit circuitry and by adding heat pump technology.



Automatic Change Dispensers

Supermarkets and other retailers are increasingly installing automatic change dispensers to reduce the checkout time at the cash register. This makes it possible to automate cash management from deposits to withdrawals.

Segment Overview for Fiscal 2008

● Business Results

The segment worked to enhance earnings strength in vending machines and cold-chain equipment, with the goals of “strengthening the earnings structure” and “expanding business fields in growth sectors,” while also pursuing growth in currency handling systems, mainly in automatic change dispensers and electronic money-related equipment.

Despite these efforts, however, the segment’s net sales declined 14.0% from the previous fiscal year, to ¥136.4 billion, reflecting weakness in demand for vending machines, currency handling systems, and cold-chain equipment as a result of deteriorating market conditions. Vending machines in particular had lower sales from weaker market conditions, and with a further effect from steel material prices, the segment’s operating income declined ¥3.1 billion, to a ¥0.4 billion operating loss.

● Overview by Subsegment

Vending Machines and Food Service Equipment

Sales of mainline beverage vending machines were down from the previous year as major customers held back on investment, and the overall market weakened drastically from the second half. Cigarette vending machines also had significantly lower sales as demand from the installation of age-verification equipment ended. Despite efforts to cut costs and reduce overall expenditure, operating income fell significantly as a result of lower sales and a jump in prices for steel materials.

At the same time, however, heat pump machines using natural refrigerants, and energy-saving heat pump can vending machines using refrigerants with superior refrigeration properties, were developed as environmental initiatives and performed well against a backdrop of greater environmental awareness.

Currency Handling Systems

Orders for automatic change dispensers remained firm, as the market grew on active installations by specialty stores as well as small and medium-sized supermarkets. On the other hand, despite the release of terminals able to handle multiple electronic money standards, sales of electronic money-related equipment declined on market weakness. There was a slight rise from the previous year in operating income, however, as a result of thorough SG&A expense and other cost reductions.

Cold-chain Equipment

Although the number of convenience store openings has declined on a lack of franchisees, sales to this sector have been maintained by promoting total orders that include both construction work and interior finishing work. Supermarket sales declined, however, as store openings and renovations were postponed because of the cooling of retail consumption, and the subsegment focused on more profitable areas. As a result, subsegment sales were down slightly from the previous year, but a turnaround to profitability was achieved as a result of various initiatives to strengthen the business, including business restructuring, thorough property management, enhanced engineering capabilities, and cost reductions.



Terminals for Electronic Money Settlement
 We have released multi-brand terminals that are able to handle multiple standards of electronic money while at the same time raising security levels.



Refrigerated Multi-shelf Open Display Case
 Annual energy savings of up to 25% are possible if operations are optimized in line with the store environment.

Market Environment and Operational Policy for Fiscal 2009

● Market Environment and Issues

The market for food and beverage vending machines is seen remaining weak through the first half of fiscal 2009 on restrained investment. A recovery is forecast from the second half, however, and we see demand growing and shifting toward environmentally friendly, energy-saving types of beverage vending machines as the main sector product.

We expect a gradual market recovery for currency handling systems on increasing needs in the retail industry for operational cost reductions, labor savings, security measures, and differentiation and customer retention.

We are forecasting increased competition in the area of cold-chain equipment as investment projects in the retail industry become smaller. At the same time, there is a major trend in the food retailing industry of increased attention to "food safety and peace of mind," measures to save energy to prevent global warming are gaining momentum, and with the additional factor of an aging population combined with the falling birthrate, we believe the business will become more community based.

● Operational Policy

Despite difficult market conditions, we will strive to quickly grasp changes in the operating environment while taking a unified approach that includes sales, manufacturing, and service, as we develop businesses with a focus on energy savings and the environment, and institute measures to reduce aggregate costs to bring about a recovery and enhance earnings strength in the areas of vending machines and food service equipment, currency handling systems, and cold-chain equipment.

● Subsegment Policies

Vending Machines and Food Service Equipment

The subsegment is expanding its lineup of heat pump-type environmentally friendly beverage vending machines with even greater energy-saving features, as it steps up its efforts to achieve a low-carbon society. Specifically, the lineup of can vending machines is being strengthened with models equipped with heat pumps that use natural refrigerants as well as with advanced energy-saving heat pumps. At the same time, new energy-saving, environmentally-friendly cup and paper-pack vending machines are also being added to the lineup. In addition, we plan to develop and bring to market new types of food vending machines and to actively promote these products. We will also work to enhance earnings strength in terms of manufacturing through cost reductions and reviews of manufacturing operations.

Currency Handling Systems

Using our advanced technological capabilities developed to date in both areas of “real” (cash) and “virtual” (electronic) money, we will provide products that meet the needs of customers and strengthen our locally-focused marketing activities in all regions, with the aim of increasing orders. At the same time, we will seek to enhance the subsegment’s earnings strength through SG&A and other cost reductions.

Cold-chain Equipment

In addition to pursuing development that incorporates energy-saving technologies, we will work to provide stores with comprehensive, value-added solutions under the banners of “the environment and energy savings” and “food safety and peace of mind” using the Fuji Electric Group’s wide range of products including film-type solar cells. Strengthening our locally-focused marketing of these solutions will lead to orders, and at the same time we will aim to further enhance the earnings structure by building on the previous years’ initiatives to raise productivity, reinforce property management, and strengthen engineering capabilities.

Conserving Electricity Used by Vending Machines

TOPICS

As part of our efforts to reduce electrical consumption by vending machines, heat pump technology is being used to conserve energy in environmentally friendly can vending machines, and these models (Fuji Electric’s 2009 models) use roughly 41% less electricity than standard models.

Another of the vending machine business’ environmental initiatives is to appropriately quantify the environmental impact of a product at each stage of its life cycle, and to obtain an “EcoLeaf environmental label” to show that this has been done. The EcoLeaf environmental label is administered by the Japan Environmental Management Association for Industry (JEMAI), and Fuji Electric became the first in the vending machine industry to receive “System Certification” from JEMAI in 2008. This certification is given on a product business unit basis*, following an inspection by JEMAI to certify that the business has the system required for an EcoLeaf environmental label, and that the system functions appropriately and effectively.

The Fuji Electric Group will continue to contribute to coexistence in the global environment by developing environmentally friendly vending machines and by pursuing activities to reduce environmental burdens by displaying environmental labels.

* The product unit that received the “System Certification” was the Mie Plant of Fuji Electric Retail Systems Co., Ltd. The certification covered can and bottle beverage vending machines and paper-pack vending machines.

Comparison of Electricity Consumption

